

**SEVENTH WARD GRAVITY  
DRAINAGE DISTRICT NO. 2**

Vermilion Parish, Louisiana

Financial Report

Year Ended December 31, 2013

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)	
Statement of net position	6
Statement of activities	7
FUND FINANCIAL STATEMENTS (FFS)	
Balance sheet - governmental fund	10
Reconciliation of the governmental fund balance sheet to the statement of net position	11
Statement of revenues, expenditures, and changes in fund balance- governmental fund	12
Reconciliation of the statement of revenues, expenditures, and changes in fund balance of the governmental fund to the statement of activities	13
Notes to basic financial statements	14-24
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule:	
General Fund	26
Notes to budgetary comparison schedule	27
OTHER SUPPLEMENTARY INFORMATION	
Detailed budgetary comparison schedule:	
General Fund	29
INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31-32
Schedule of current and prior year audit findings and management's corrective action plan	33-35

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Seventh Ward Gravity Drainage District No. 2  
Vermilion Parish, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Seventh Ward Gravity Drainage District No. 2, (the District), a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The District has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as "Other Supplementary Information" on page 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Kolder, Champagne, Slaven & Company, LLC*  
Certified Public Accountants

Abbeville, Louisiana  
June 30, 2014

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS (GWFS)**

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana

Statement of Net Position  
December 31, 2013

ASSETS

Cash and interest-bearing deposits	\$2,711,996
Interest receivable	238
Due from other governmental units	710,911
Capital assets, net	<u>200,678</u>
Total assets	<u>3,623,823</u>

LIABILITIES

Accounts payable	<u>5,614</u>
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NET POSITION

Net investment in capital assets	200,678
Unrestricted	<u>3,417,531</u>
Total net position	<u>\$3,618,209</u>

The accompanying notes are an integral part of the basic financial statements.



SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana

Statement of Activities  
For the Year Ended December 31, 2013

Expenses:	
Public works	<u>\$ 597,788</u>
General revenues:	
Ad valorem taxes	896,127
State revenue sharing	18,308
Interest income	16,733
Miscellaneous income	1,500
Gain on sale of asset	<u>15,000</u>
Total general revenues	<u>947,668</u>
Change in net position	349,880
Net position, beginning	<u>3,268,329</u>
Net position, ending	<u>\$ 3,618,209</u>

The accompanying notes are an integral part of the basic financial statements.

**FUND FINANCIAL STATEMENTS (FFS)**

## **MAJOR FUND DESCRIPTION**

### **General Fund**

The general fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana

Balance Sheet - Governmental Fund  
December 31, 2013

ASSETS

Cash and interest bearing deposits	\$2,711,996
Ad valorem taxes receivable	704,772
Interest receivable	238
Due from other governmental agencies	<u>6,139</u>
 Total assets	 <u>\$3,423,145</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	<u>\$    5,614</u>
 Fund balance:	
Unassigned	<u>3,417,531</u>
 Total liabilities and fund balance	 <u>\$3,423,145</u>

The accompanying notes are an integral part of the basic financial statements.

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana

Reconciliation of the Governmental Fund Balance Sheet  
to the Statement of Net Position  
December 31, 2013

Total fund balances for governmental funds at December 31, 2013	\$3,417,531
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Equipment, net of \$352,254 accumulated depreciation	<u>200,678</u>
Total net position of governmental activities at December 31, 2013	<u>\$3,618,209</u>

The accompanying notes are an integral part of the basic financial statements.

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance-  
Governmental Fund  
For the Year Ended December 31, 2013

Revenues:	
Ad valorem taxes	\$ 896,127
State revenue sharing	18,308
Interest income	16,733
Miscellaneous income	<u>1,500</u>
Total revenues	<u>932,668</u>
Expenditures:	
Current -	
Public works - drainage	551,822
Capital outlay	<u>9,721</u>
Total expenditures	<u>561,543</u>
Excess of revenues over expenditures	371,125
Other financing sources:	
Proceeds from sale of asset	<u>15,000</u>
Net change in fund balance	386,125
Fund balance, beginning	<u>3,031,406</u>
Fund balance, ending	<u><u>\$3,417,531</u></u>

The accompanying notes are an integral part of the basic financial statements.

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balance of the Governmental Fund  
to the Statement of Activities  
For the Year Ended December 31, 2013

Total net changes in fund balances at December 31, 2013 per Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 386,125
The change in net position reported for governmental activities in the statement of activities is different because:	
The governmental fund reports capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	\$ 9,721
Depreciation expense	<u>(45,966)</u> <u>(36,245)</u>
Total changes in net position at December 31, 2013 per Statement of Activities	<u>\$ 349,880</u>

The accompanying notes are an integral part of the basic financial statements.

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Seventh Ward Gravity Drainage District No. 2 (the Drainage District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of these notes.

A. Financial Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Oversight responsibility by the Police Jury is determined on the basis of the following criteria:

1. Appointment of governing board
2. Designation of management
3. Ability to significantly influence operations
4. Accountability for fiscal matters
5. Scope of public service

Because the Police Jury created the District and appoints its board of commissioners, the Drainage District was determined to be a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying financial statements present information only on the funds maintained by the Drainage District and do not present information on the Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

The Drainage District was created under the authority of Louisiana Revised Statutes 38:1751-1802 and was established for the purpose of opening and maintaining all natural drains in the District. As provided by Louisiana Revised Statute 38:1758, the Seventh Ward Gravity Drainage District No. 2 of Vermilion Parish is governed by five commissioners. These five commissioners are referred to as the Board of Commissioners and are appointed by the parish Police Jury.



SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Drainage District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients for goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements (FFS)

The accounts of the Drainage District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Drainage District maintains only one fund. It is categorized as a governmental fund. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

The major fund of the Drainage District is described below:

Governmental Fund -

General Fund

The General Fund is the general operating fund of the Drainage District. It is used to account for all financial resources except those required to be accounted for in another fund.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery) and financial position. All assets and liabilities (whether current or noncurrent) associated with its activities are reported. Government-wide fund equity is classified as net position.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate. The governmental fund utilizes a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on its balance sheet. Their operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide statement of net position and statement of activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of state revenue sharing funds. For state revenue sharing funds the period is extended to 150 days after the fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting.

Revenues

Ad valorem taxes are recorded in the year taxes are due and payable. Ad valorem taxes are assessed in November, by the Parish Assessor, based on the assessed value and become due on November 15 of each year. The taxes become delinquent on January 1. An enforceable lien attaches to the property as of January 1. The taxes are generally collected in December, January, and February of the fiscal year. Property tax revenues are accrued at fiscal year-end to the extent that they have been collected but not received by the Vermilion Parish Tax Collector's Office. Such amounts are measurable and available to finance current operations.

Interest income on interest-bearing deposits is recorded or accrued as revenues when earned. Substantially all other revenues are recorded when received.

Expenditures

The Drainage District's primary expenditures include salaries and insurance, which are recorded when the liability is incurred. Capital expenditures and purchases of various operating supplies are regarded as expenditures at the time purchased.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts and certificates of deposits of the Drainage District.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include ad valorem taxes and state revenue sharing.

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Drainage District maintains a threshold level of \$1,000 or more for capitalizing capital assets, however no formal capitalization policy is maintained.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Equipment	5-15 years
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Compensated Absences

Full time employees of the Drainage District with more than one year of service are allowed two weeks of vacation leave each year; full-time employees with one year of service or less are allowed one week of vacation leave each year. Vacation and sick leave does not accumulate from year to year. Sick leave is granted on an individual basis as the need occurs. Vacation and sick leave may not be accumulated and carried into future years. At December 31, 2013, there is no accumulated vacation or sick leave benefits that require accrual or disclosure to conform with generally accepted accounting principles.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. This District has no deferred outflows of resources.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District has no deferred inflows of resources.

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- b. Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

The Drainage District has no restricted net position.

In the fund statements, governmental fund equity is classified as fund balance as follows.

*Nonspendable* – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* – amounts that can be used only for specific purposes determined by a formal action of the Drainage District board members. The Board is the highest level of decision-making authority for the Drainage District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Board members.

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

*Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Drainage District's adopted policy, only Board members may assign amounts for specific purposes.

*Unassigned* – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Drainage District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Drainage District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Board members have provided otherwise in its commitment or assignment actions.

E. Revenue Restrictions

The Drainage District has restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue source includes:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Ad valorem taxes	See Note 2

The Drainage District uses unrestricted resources only when restricted resources are fully depleted.

F. Expenditures, and Expenses

In the government-wide financial statements, expenses are classified by character and function. In the fund financial statements, expenditures are classified by character.

G. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

(2) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are assessed on a calendar basis, become due on November 15 of each year and become delinquent on January 1 of the following year. The taxes are based on assessed values determined by the Tax Assessor of Vermilion Parish and are collected by the Sheriff. The taxes are remitted to the Drainage District net of deductions for pension.

Tax revenues are recognized in the year they are billed.

For the year ended December 31, 2013, taxes of 19.26 mills were levied on property with net assessed valuations totaling \$46,792,580, and were dedicated to paying the administrative, operations and maintenance expenditures for the Drainage District.

Total taxes levied during 2013 were \$900,012. Taxes receivable at December 31, 2013 amounted to \$704,772, all of which is due from the Vermilion Parish Sheriff Department (see note 4).

(3) Cash and Interest-Bearing Deposits

Under state law, the Drainage District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Drainage District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2013, the Drainage District has cash and interest-bearing deposits (book balances) totaling \$2,711,996, as follows:

Demand deposits	\$ 657,779
Time deposits	<u>2,054,217</u>
Total	<u>\$ 2,711,996</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 2013, are as follows:

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

Bank balances	<u>\$ 2,725,051</u>
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At December 31, 2013 the deposits are secured as follows:

Federal deposit insurance	500,000
Uninsured and collateral held by the pledging bank, not in the District's name	<u>2,225,051</u>
Total	<u>\$ 2,725,051</u>

As of December 31, 2013, the District's total bank balances were insured and/or collateralized with pledged securities held by the custodial bank in the name of the pledging financial institution for the District and, therefore, they were not exposed to custodial credit risk.

(4) Due from Other Governmental Units

Amounts due from other governmental units at December 31, 2013 consisted of the following:

Amount due from the Vermilion Parish Sheriff's Office for ad valorem tax	\$ 704,772
Amount due from the Vermilion Parish Sheriff's Office for state revenue sharing	<u>6,139</u>
Total	<u>\$ 710,911</u>

(5) Capital Assets

A summary of changes in capital assets follows:

	<u>Balance 01/01/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/13</u>
Capital assets being depreciated:				
Equipment	\$ 723,024	\$ 9,721	\$ (179,813)	\$ 552,932
Less accumulated depreciation:				
Equipment	<u>(486,101)</u>	<u>(45,966)</u>	<u>179,813</u>	<u>(352,254)</u>
Net capital assets	<u>\$ 236,923</u>	<u>\$ (36,245)</u>	<u>\$ -</u>	<u>\$ 200,678</u>

Depreciation expense of \$45,966 was charged to the public works function.



SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

(6) Compensation Paid Board of Commissioners

The schedule of compensation paid board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. The per diem paid to board members is included in the expenditures of the General Fund. Each board member received \$150 for each day of attendance at meetings of the board. Eddie Lege, Board member, received \$22,994 in lieu of per diem for his official duties as supervisor of the board. The schedule of compensation at December 31, 2013 is as follows:

Scott Griffin	\$ 1,500
Allen McLain	1,500
Donald Sagrera	1,950
Thomas Harry Lege	<u>1,650</u>
Total	<u>\$ 6,600</u>

(7) Parochial Employees Retirement System of Louisiana

The system provides retirement, disability and death benefits to plan members and beneficiaries. Benefits under the system are established and amended by Louisiana state statutes. A publicly available financial report that includes financial statements and required supplemental information may be obtained by writing to the Parochial Employees' Retirement System, P.O. Box 14619, Baton Rouge, Louisiana 70898-4619, (225) 928-1361.

All employees working at least 28 hours per week and all elected parish officials are eligible to participate. Under Plan A, members are required by state statute to contribute 9.5% of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The current rate is 16.75% of annual covered payroll. Contributions to the retirement system also include one-fourth of 1% of the taxes shown to be collectible by the tax rolls of the parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active plan members of each plan. The employer's contributions to the retirement system for the years ending December 31, 2013, 2012 and 2011 were \$23,287, \$20,550, and \$18,306, respectively, equal to the required contributions for each year.

(8) Litigation

There was no litigation pending against the Drainage District at December 31, 2013.

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

(9) Operating Lease

The Drainage District leases a one-acre parcel of land in Vermilion Parish, Louisiana, under an operating lease which expires on 1/1/2018 and is to be paid in annual payments of \$1,500.

The District had entered into a 3 year operating lease for a John Deere Tractor that expired July 2013 with monthly payments of \$1,141. The District renewed its contract and entered into an operating lease of a John Deere tractor on 7/27/2013 with a monthly payment of \$913 which expires 7/27/2016.

The District also entered into a 60 month operating lease of a John Deere Excavator on 5/31/2013 with monthly payment so \$2,646 which expires 5/31/2018.

Total expenditures for these leases totaled \$34,997 for the year ended December 31, 2013.

The following is a schedule by years of future minimum rental payments required under operating leases that have remaining lease terms in excess of one year as of December 31, 2013:

<u>Year Ended</u>	<u>Amount</u>
2014	\$ 44,212
2015	44,212
2016	44,212
2017	33,256
2018	<u>33,256</u>
Total Minimum Future Rent Payments	<u>\$ 199,149</u>

(10) Risk Management

The Drainage District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Drainage District carries commercial insurance. There have been no significant reductions in the insurance coverage during the year.

(11) Subsequent Events

The district has evaluated subsequent events through June 30, 2014, the date which the financial statements were available to be issued.

(12) New Accounting Pronouncements

During the fiscal year ended December 31, 2013, the Drainage District adopted GASB 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

## SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2

Vermilion Parish, Louisiana

General Fund

## Budgetary Comparison Schedule

For the Year Ended December 31, 2013

	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes - ad valorem	\$ 683,619	\$ 708,519	\$ 896,127	\$ 187,608
State revenue sharing	17,445	18,808	18,308	(500)
Interest Income	600	352	16,733	16,381
Miscellaneous income	-	-	1,500	1,500
Total revenues	<u>701,664</u>	<u>727,679</u>	<u>932,668</u>	<u>204,989</u>
Expenditures:				
Current -				
Public works - drainage	540,418	549,724	551,822	(2,098)
Capital outlay	<u>200,000</u>	<u>7,196</u>	<u>9,721</u>	<u>(2,525)</u>
Total expenditures	<u>740,418</u>	<u>556,920</u>	<u>561,543</u>	<u>(4,623)</u>
(Deficiency) excess of revenues over expenditures	<u>(38,754)</u>	<u>170,759</u>	<u>371,125</u>	<u>200,366</u>
Other financing sources:				
Proceeds from sale of asset	-	10,000	15,000	5,000
Net change in fund balance	<u>(38,754)</u>	<u>180,759</u>	<u>386,125</u>	<u>205,366</u>
Fund balance, beginning	<u>3,031,406</u>	<u>3,031,406</u>	<u>3,031,406</u>	<u>-</u>
Fund balance, ending	<u>\$2,992,652</u>	<u>\$3,212,165</u>	<u>\$3,417,531</u>	<u>\$ 205,366</u>

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana

Notes to Budgetary Comparison Schedule

(1) Budgets and Budgetary Accounting

The Drainage District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Drainage District's Secretary/Treasurer prepares a proposed budget and presents it to the Board of Commissioners prior to fifteen days before the beginning of each fiscal year.
2. Any changes in the proposed annual operating budget require a majority vote of the Board of Commissioners.
3. No later than the last regular meeting of the fiscal year, the Board of Commissioners adopts the annual operating budget for the ensuing fiscal year.
4. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Budget appropriations lapse at year-end.

For the year ended December 31, 2013, actual expenditures exceeded appropriations.

## **OTHER SUPPLEMENTARY INFORMATION**

## SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2

Vermilion Parish, Louisiana

General Fund

## Detailed Budgetary Comparison Schedule

For the Year Ended December 31, 2013

	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes - ad valorem	\$ 683,619	\$ 708,519	\$ 896,127	\$ 187,608
State revenue sharing	17,445	18,808	18,308	(500)
Interest Income	600	352	16,733	16,381
Miscellaneous income	-	-	1,500	1,500
Total revenues	701,664	727,679	932,668	204,989
Expenditures:				
Current -				
Public works -				
Ad valorem tax deductions	-	28,500	28,595	(95)
Drainage maintenance	27,000	20,675	19,210	1,465
Fees and licenses	4,500	9,665	11,933	(2,268)
Fuel and oil	50,000	48,538	46,644	1,894
Group insurance	25,000	22,294	20,845	1,449
Insurance	38,600	33,756	35,425	(1,669)
Lease payment	8,348	34,997	34,997	-
Miscellaneous	33,253	31,089	29,292	1,797
Office supplies	1,400	1,200	1,151	49
Payroll tax	7,734	7,769	7,758	11
Pension expense	23,287	23,287	23,287	-
Professional fees	6,000	5,000	5,000	-
Rent	16,717	29,506	29,784	(278)
Repairs and maintenance	61,200	21,633	26,061	(4,428)
Salaries and wages	218,279	214,229	214,079	150
Supplies	16,300	15,536	15,711	(175)
Utilities	2,800	2,050	2,050	-
Capital outlay	200,000	7,196	9,721	(2,525)
Total expenditures	740,418	556,920	561,543	(4,623)
(Deficiency) excess of revenues over expenditures	(38,754)	170,759	371,125	200,366
Other financing sources:				
Proceeds from sale of asset	-	10,000	15,000	5,000
Net change in fund balance	(38,754)	180,759	386,125	205,366
Fund balance, beginning	3,031,406	3,031,406	3,031,406	-
Fund balance, ending	\$2,992,652	\$3,212,165	\$3,417,531	\$ 205,366

**INTERNAL CONTROL,  
COMPLIANCE  
AND  
OTHER MATTERS**



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Retired  
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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners  
Seventh Ward Gravity Drainage District No. 2  
Vermilion Parish, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Seventh Ward Gravity Drainage District No. 2, (the District), a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 30, 2014.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of current and prior year audit findings and management's corrective action plan we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of current and prior year audit findings and managements corrective action plan as item 2013-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2013-002 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

### **Seventh Ward Gravity Drainage District No. 2's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Abbeville, Louisiana  
June 30, 2014

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana  
Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan  
Year Ended December 31, 2013

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2013-001 Inadequate Segregation of Accounting Functions

CONDITION: The Seventh Ward Gravity Drainage District No. 2 did not have adequate segregation of functions within the accounting system.

CRITERIA: SAS109, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, AU§314.43 defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT§501.03 states:

“An entity's internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both.”

CAUSE: The cause of the condition is the fact that the District does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Board of Commissioners determined that it is not cost effective to achieve complete segregation of duties within the accounting department. No plan is considered necessary.

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana  
Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (Continued)  
Year Ended December 31, 2013

2013-002 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: The Seventh Ward Gravity Drainage District No. 2 does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

CRITERIA: AU-C §365.A37 identifies the following as a deficiency in the design of (internal) controls:

“... in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.”

CAUSE: The cause of the condition is the result of a failure to design or implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Financial statements and related supporting transactions may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Board of Commissioners has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

SEVENTH WARD GRAVITY DRAINAGE DISTRICT NO. 2  
Vermilion Parish, Louisiana  
Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (Continued)  
Year Ended December 31, 2013

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2012-001 Inadequate Segregation of Accounting Functions

CONDITION: The Seventh Ward Gravity Drainage District No. 2 did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Based upon the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CURRENT STATUS: Unresolved. See item 2013-001.